

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
WITZEMAN PUBLIC SAFETY BUILDING
8401 E. INDIAN SCHOOL ROAD
SCOTTSDALE, ARIZONA 85251
JUNE 19, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffman, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
David Richard, Commissioner

ABSENT: Tom Enders, Commissioner
David Scholefield, Commissioner
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Holli Shannon
Kroy Ekblaw
Kim Hanna
Vivek Galav

GUESTS: Rachel Sacco, SCVB
Casey Coulter, Intern
Brenda Areland, student
Ally Hayber Hanblen, SCA
Rachel Pearson, SCVB
Tim Rodgers, SMOCA

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffman called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:05 a.m.

2. Approval of Minutes

- May 15, 2012 Meeting

COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE MAY 15, 2012 MEETING. VICE CHAIRWOMAN GLENN SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONERS ENDERS, SCHOLEFIELD, AND SURGUINE WERE ABSENT.

3. Staff Liaison's Report

a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that year to date bed tax revenue is up 6%. Hotel/motel sales tax is up 4%, miscellaneous retail is up 8%, and restaurant is up 6%. Once again, collections are trending upward across the board. In terms of classifications, resorts are up 6%, full-service is up 6.7% and limited is up 6.5%. Commissioner Richard indicated that May performed better than last year. June has been okay on the leisure side. Ms. Guillory stated that May receipts would be remitted to the City in June.

b. Bed Tax Proforma

Ms. Guillory noted some major changes to the proforma, mostly dealing with the 2012/13 column. Various revenue sources are now broken down by category, including bed tax, Princess lease revenue, trolley revenue, and miscellaneous. There are no new changes to the expenses categories. The capital wedges now show three additional wedges related to the new revenues from the Princess lease, two full \$600,000 wedges, and one \$300,000 wedge. The event retention and development lines total \$1.2 million. Administration and professional services total \$500,000. The current year carryover balance assumes that the first \$2.1 million of the \$2.47 million of unspent money, which the Council has already authorized, would go towards the Tony Nelssen Equestrian Center shortages, leaving about \$371,000 of available carryover that cannot be used until 2013.

Chairman Hoffman asked when staff would be certain of the overages. Ms. Guillory explained that the actual carryover amount is not known until October, though staff can provide a good estimate by September. Chairman Hoffman inquired about the TPC. Mr. Geiogamah said the issue was pulled from the City Council agenda earlier this month. The TPC has made a recommendation for allocating the Princess revenue to the renovation. Ms. Sacco inquired about potential Desert Discovery Center allocations. Ms. Guillory noted that the TDC has recommended the use of a wedge towards the DDC, but City Council has not acted on that. There is also a reservation for the museum until July 31, 2012.

c. Smith Travel Report

Mr. Geiogamah said STR shows occupancy up about 1% year to date. Average daily rate is up 4.6%. RevPar is up 5.8% YTD. In the group market, STR removed properties that were not reporting, in order to provide a better understanding of the Scottsdale market. Occupancy YTD is 2.7% up, ADR is up 3.8%, and RevPar is up 6.6% in the group market.

Commissioner Richard inquired how the SCVB is using this data. Rachel Sacco explained that it has been helpful, because oftentimes the Bureau has had to rely on anecdotal evidence. Chair Hoffman noted that transient group contract numbers are suddenly off the charts, which indicates that coding has changed. Mr. Geiogamah said he would check to see what could be causing the severe fluctuations.

d. Program Updates

Mr. Geiogamah reported that the proposed East West Golf Tournament will be held in the fall of 2013. The proposed venue site has changed to Scottsdale in 2013, and will move to China in 2014. Because of that change, staff is re-evaluating the economic impact, and will report in August.

PLACES Consulting of New Orleans was selected to begin work on the five-year strategic plan. The contract in the amount of \$97,500 will be brought to Council on July 2, and work will begin immediately following approval. Vice Chairwoman Glenn stated that of all the groups interviewed, PLACES was unanimously selected number one. They had a unique perspective on how to move forward, and high energy.

Mr. Geiogamah reported that later this evening, staff will present the SCVB's five-year contract to City Council for approval.

4. Desert Discovery Center Phase III Update

Kroy Ekblaw, Executive Assistant, Strategic Projects, reported that a large internal team has been proceeding on the search process for the DDC operator. The City Attorney is drafting a two-step search process, which will probably be ready in another week. The first step is a request for qualifications, in which people will express interest and identify what their teams' individual talents are, related to operating and supporting a facility like this. That would include not just the daily operations, but also the fundraising aspects. This process puts a capital requirement on applicants in the range of \$20 million to \$25 million, in addition to the yearly fundraising requirements to meet the operating costs of about \$1 million to \$2 million per year. This figure is similar to what comparable facilities expect to raise.

Mr. Ekblaw said the goal of the first phase is to identify interested parties, local, regional, or national, before staff begins to narrow them down to the top two to four parties. The next step would be to issue a request for proposals to have the applicants explain how they will take their qualifications and deliver on the expectations that have been outlined for the project. RFQs are expected to go out in the summer. The RFP process should begin in the fall. As Council begins to consider a bond program in 2013, the expectation is that the City's capital requirements for the DDC could be part of that issue. The TDC's recommendation was to allocate a capital wedge to fund the debt service on about \$7 million of the approximately \$50 million capital requirement.

In response to an inquiry from Commissioner Richard, Mr. Ekblaw explained that the operator would report directly to the City Council. Chairman Hoffman asked if the reservation on the capital wedge for the DDC would expire at the end of the year. Ms. Guillory said it would not expire until it is brought to Council, and they either agree or disagree. Chairman Hoffman asked if the TPC had the right to take the reserved capital wedge for the golf course. Ms. Guillory explained that Council could make any decisions it wants.

5. Tony Nelssen Equestrian Center at WestWorld Project

Mr. Vivek Galav, Senior Project Manager, reported that construction on the Tony Nelssen Center began in April. Everything is moving along according to schedule. Mr. Geiogamah added that an RFQ is being drafted to identify a marketing consultant for the facility.

Commissioner Richard inquired whether the City has made any effort to reach out to other exhibitors who might have some valuable insight on how to make the building attractive to a wide variety of clients. Mr. Galav explained that in the last week, he met with three different horse show producers who provided feedback on the construction. Chairman Hoffman inquired whether any effort has been made to speak to non-equestrian-related entities. Mr. Galav responded that he has not, but that Brian Dygert has been trying to bring in different types of event producers. Chairman Hoffman stated that with the amount of money that the TDC has committed to this project, he is appalled at the time it has taken the City to drive business into the venue. The TDC has not seen any documentation supporting the projected revenue streams, nor anything that demonstrates an effort to expose the Center to a broader audience.

Mr. Geiogamah said the initial design work was done by a team with broader experience than just equestrian shows. Mr. Galav added that Populous has designed stadiums all over the world. The interior of the North Hall was completely changed to accommodate as many different events as possible. Chairman Hoffman requested a report from Mr. Katsenes on the plan for the Center. In response to his inquiry, Ms. Guillory reported that the TDC has made two one-time commitments of \$2.96 million and \$2.1 million, plus the ongoing commitment of two \$600,000 capital wedges for the life of the bond.

Chairman Hoffman said a lot of money is riding on this facility right now. The City needs to make a serious effort to find the business entities that will make this facility a financial success. He has informed Council that the TDC has never seen anything that demonstrates the bottom line success. The facility opens September 24, but no marketing company has been arranged for the first year.

Commissioner Richard said now that the building is being built, it would make sense to revisit the list of equestrian producers that expressed an interest in holding events at the expanded facility, to see where the City stands contractually against the proforma. He cautioned against filling the facility with one-day events, which would not generate any significant room nights. The City needs this \$42 million facility to perform better than that, and must reach out to event producers who can land substantial multi-day shows.

Mr. Geiogamah stated that the RFQ is still in the early draft stages, but there is a lot of opportunity for the group that is participating in that effort to add their insight in the consultant selection. Chairman Hoffman said that if Scottsdale is serious about generating income, the City should attract people from outside the community to stay in hotels, eat, shop, and play here for several days. He requested a report using serious measurements that would demonstrate the center will be run as a business. Mr. Richard added that such a report would help the SCVB identify which holes need to be filled with lucrative, profitable business for the community.

Mr. Galav said the only portions that will be open on September 24 are the newly enclosed Equidome and the East Paddock. The south side of the Equidome and the North Hall will open subsequently. The South Hall is an area for vendors. By the end of December, the East Paddock, Equidome and South Hall will be finished. The September 24 deadline will make the facility ready enough to accommodate a scheduled show. The North Hall will not be finished until October of 2013.

Chairman Hoffman requested a report on the business booked for specific dates. STR performance measures need to be in place to measure the year over year changes in occupancy, revenue, etc., for the event dates. The TDC cannot change what has happened, but can make sure that the business that will book the TNC, is the business that the industry is looking for. If Scottsdale wants to attract significant business to the facility by 2013, the effort to sell it has to begin today.

Vice Chairman Glenn said that unless the marketing effort begins soon, the facility will be filled by one-day shows that will block dates that could otherwise be used by more significant bookings. Chairman Hoffman suggested finding someone with space management experience. A small event should not be able to book a date more than nine to twelve months in advance. The Center needs marketing and management expertise, as well as a concerted effort to sell it. The vision of the building's potential is very narrow right now, which is why it is crucial to find a marketing company that can think big, to avoid having the building become a white elephant. Commissioner Richard said another advantage to having a marketing consultant on board now, is that they might be able to identify ways to tweak the building to make it more attractive to the kinds of events they envision for it. It would be easier to make changes now rather than wait until it is built.

6. Western Themed Museum & Additional Cultural Venue RFQ

Kim Hanna provided an update on the RFP process for the Western art and history museum. The RFP was released last January. A pre-bid meeting in that same month was well attended. A suggestion period in February was followed by a question period. The City responded to 41 suggestions, but no questions were received. Bids were due in May, but no bids were received. Based on the suggestions, the City decided to release a new RFQ with fewer restrictions.

Rob Millar stated that the RFQ asks submitters to consider ways to develop the entire Loloma site as a cultural park. There would still be a strong emphasis on a Western museum; however, the City is interested in seeing proposals that would complement the museum. A pre-submittal meeting was held last week to allow for questions. One question was, "What is the definition of cultural?" His response was that the City is open to any ideas outside residential, multi-family, retail, and office uses. The hope is that proposals will demonstrate connectivity and shared uses that complement not only the different components of the site, but the surrounding neighborhood as well. The deadline for submittals is July 24.

Mr. Millar said a selection panel will go through the proposals and line up the top three for an interview. The panel will forward a single response to Council's August 27 meeting. He requested a TDC recommendation for continuing the commitment of a

capital wedge for the Western museum effort. The RFQ states that the City's only potential funding is the \$7.5 million that has been committed through the bed tax.

Vice Chairwoman Glenn said it sounds as though any type of museum would satisfy the RFQ. Mr. Millar clarified that the RFQ states the City's interest in a Western museum. That piece has not changed from the previous RFP, and the TDC's recommendation for that funding. A Western museum remains a critical piece of this parcel. What have changed are the other parcels surrounding it, which will complement the Western museum. Commissioner Bailey inquired about the makeup of the selection team. Mr. Millar said the team has not been compiled yet. The goal is to assemble a large enough group to offer a broad range of perspectives without being unmanageable. Commissioner Bailey expressed her desire to participate. Chairman Hoffman agreed that the TDC should have a representative on the team.

Commissioner Richard reiterated the TDC's primary task is to support initiatives that drive bed tax revenue. It is essential that the components that make up the cultural park can drive bed tax revenue, especially considering that it is an open slate right now.

COMMISSIONER RICHARD MOVED TO EXTEND THE CURRENT EARMARK OF ONE CAPITAL WEDGE, FOR \$600,000, FROM JULY 31, 2012 TO DECEMBER 1, 2012. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONERS ENDERS, SCHOLEFIELD, AND SURGUINE WERE ABSENT.

Chairman Hoffman inquired about the original Museum of the West representatives. Mr. Millar said they had a representative at the pre-submittal meeting on Friday, and they have an opportunity to submit a proposal.

7. Scottsdale Center for the Arts – Event Destination District Update

Mr. Millar reminded the TDC about a series of initiatives that have been proposed to enhance the Scottsdale Center for the Performing Arts, the Mall area, and the Scottsdale Museum of Contemporary Art. There is a lot of potential to make the Mall more of a tourism driver. It has not reached its full potential mainly because of the way it is currently designed. The Mall is a hodgepodge of fountains and rolling hills and buildings that has never been looked at comprehensively. A very limited piece of funding, \$4,000, is available for the effort. Staff is developing a scope of work that will be released as a RFQ. The goal is to get qualified companies to submit their creative proposals and provide a general cost estimate. Once that is done, the proposal will be brought before the TDC for a funding request.

Mr. Millar said staff intends to finish the scope of work in the next two weeks. It will take about a month for competitive bids. At the August or September TDC meeting, staff will provide feedback on the responses they received and make a request for funding to hire the consultant to begin the master planning effort. The goal is to have a solid proposal ready should the Council initiate a bond project in 2013.

Tim Rodgers, SMOCA, said the Bond Commission suggested all of the issues related to SMOCA, the SCPA, and the Civic Center Mall be considered at once. It makes sense to

bring together all the businesses around the green and the district, to understand what their issues are, and then address them together in a master plan.

Vice Chairwoman Glenn encouraged planners to address ways to draw and attract people from outside the region to stay for a number of days, rather than just focusing on one-day festivals that will only attract people from the region. This is especially important if the effort intends to request financial support from the TDC. Mr. Millar noted that the Scottsdale Cultural Council could report on big corporations that have wanted to hold conferences or large events on the Mall, but were turned away because of the infrastructure deficiencies. Chairman Hoffman said financing comes from tourism. That is what will make the effort worthy. Vice Chairwoman Glenn said it is important that somebody be tasked with the responsibility of keeping that business in the community. If the Mall cannot satisfy their requirements, they should be referred to WestWorld. Mr. Millar noted that the consultant the City is hiring is not just charged with WestWorld, but with driving business to the City as a whole.

Commissioner Richard said it would help to keep track of the business lost in this way, as it would help convince people of the need to upgrade the infrastructure. Vice Chairwoman Glenn said it is very important that outside facilities offer an alternative backup, should the weather not cooperate. Companies that book such facilities want such assurances. Commissioner Richard said the vacant land on the Waterfront was a tourism and revenue driver that was lost when it was developed.

8. Identification of Future Agenda Items

Mr. Geiogamah noted that the TDC will not meet in July. Chairman Hoffman requested future Tony Nelssen Center updates from Brian Dygert or Paul Katsenes. If they are not available, the agenda item should be cancelled. Today's report on the TNC lacked substance. The TDC has doubts about the project and wants to know what efforts are being made to overcome them. Nobody had offered any assurance that the money the TDC has contributed is being thoughtfully invested. The report also casts serious doubts on those running the project.

9. Public Comment

There were no public comments.

10. Adjournment

The meeting adjourned at 9:18 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.